SENATE RECORD VOTE ANALYSIS

105th Congress — July 31, 1997, 6:01 pm

1st Session — **Vote No. 211** — Page S-8480 Temp. Record

TAXPAYER RELIEF ACT/Conference Report, Passage

SUBJECT: **Conference report to accompany the Taxpayer Relief Act of 1997 . . . H.R. 2014. Agreeing to the conference report.**

ACTION: CONFERENCE REPORT AGREED TO, 92-8

SYNOPSIS: The conference report to accompany, H.R. 2014, the Taxpayer Relief Act of 1997 (as scored by the Joint Committee on Taxation on July 30, 1997), will provide net tax relief of $96.1 billion over fiscal years (FYs) 1997-2002 and $282.1 billion over FYs 1997-2007 (the total cost of the bill, including outlays from the partially "refundable" child tax credit, will be $100.444 billion over 5 years and $292.045 billion over 10 years). The new taxes on tobacco proposed in the Senate-passed bill, and the increased funding for the child health insurance initiative, were moved to the Balanced Budget Act (see vote No. 209). The cost of these tax cuts will be more than offset by the economic dividend $355 billion over 10 years) that will result from balancing the budget in fiscal year (FY) 2002, as provided for in the Balanced Budget Act. This bill will enact the largest tax cut since 1981 and the first tax cut since 1986. It will give cradle-to-grave tax relief to Americans: it will give a $500-per-child tax credit, education tax relief, savings and investment tax relief, retirement tax relief, and estate tax relief. It will eliminate more than a third of the increased tax burden imposed by the 1993 Clinton tax hike, which was the largest tax hike in history. Details are provided below.

Child tax credit:

- a $400 per child income tax credit in 1998 and a $500 credit thereafter will be given for children under the age of 17; that credit will provide families with $85.045 billion in tax relief over fiscal years (FYs) 1998-2002 and $183.401 billion over FYs 1998-2007; the credit will not be indexed for inflation;
- for a taxpayer who qualifies for the Earned Income Credit (EIC), the child credit will be computed entirely before determining any EIC eligibility (the EIC is a "refundable" credit that allows refunds to be given in excess of the amounts paid

(See other side)

YEAS (92)

Republican (55 or 100%)

Abraham, Allard, Ashcroft, Bennett, Bond, Brownback, Burns, Campbell, Chafee, Coats, Cochran, Collins, Coverdell, Craig, D'Amato, DeWine, Domenici, Enzi, Faircloth, Frist, Gorton, Gramm, Grams, Grassley, Gregg, Hagel, Hatch, Helms, Hutchinson, Hutchison, Inhofe, Jeffords, Kempthorne, Kyl, Lott, Lugar, Mack, McCain, McConnell, Murkowski, Nickles, Roberts, Roth, Santorum, Sessions, Shelby, Smith, Bob, Smith, Gordon, Snowe, Specter, Stevens, Thomas, Thompson, Thurmond, Warner

Democrats (37 or 82%)

Akaka, Baucus, Biden, Bingaman, Boxer, Breaux, Bryan, Cleland, Conrad, Daschle, Dodd, Dorgan, Durbin, Feinstein, Ford, Graham, Harkin, Inouye, Johnson, Kennedy, Kerrey, Kerry, Kohl, Landrieu, Lautenberg, Leahy, Levin, Lieberman, Mikulski, Moseley-Braun, Moynihan, Murray, Reed, Reid, Rockefeller, Torricelli, Wyden

NAYS (8)

Republicans (0 or 0%)

Democrats (8 or 18%)

Bumpers, Byrd, Feingold, Glenn, Hollings, Robb, Sarbanes, Wellstone

NOT VOTING (0)

Republicans (0)

Democrats (0)

EXPLANATION OF ABSENCE:
1—Official Business
2—Necessarily Absent
3—Illness
4—Other

SYMBOLS:
AY—Announced Yea
AN—Announced Nay
PY—Paired Yea
PN—Paired Nay

Compiled and written by the staff of the Republican Policy Committee—Larry E. Craig, Chairman

in income taxes; the original justification for creating the EIC was to reduce the burden of payroll taxes (principally Social Security); people who are eligible for the maximum EIC credit now get back all the money they have paid in income and payroll taxes put together, and they get an extra sum of more than $2,500); for a taxpayer who qualifies for the EIC and who has three or more children, the child tax credit will be refundable to the extent that the application of the child tax credit and the EIC together do not exceed the total amounts paid in income and payroll taxes; for related debate, see vote Nos. 140 and 156;

- no education individual retirement account (IRA) or qualified tuition program requirements on the credit will be imposed; for related debate, see vote Nos. 139; and
- the credit will phase out for single taxpayers with adjusted gross incomes (AGIs) between $75,000 and $85,000 ($50 for each $1,000 increase in income) and will phase out for married taxpayers with AGIs between $110,000 and $120,000; these thresholds will not be indexed for inflation.

Education tax incentives:

- in total, $39.394 billion over 5 years (FYs 1998-2002) and $98.835 billion over 10 years (FYs 1998-2007) in education tax incentives will be enacted; the proposals for education individual retirement accounts (IRAs), penalty-free withdrawals from retirement IRAs for education expenses, the extension of employer-provided education assistance, and student loan interest deduction are drawn from the Senate Republican leadership's education bill (the Safe and Affordable Schools Act; S. 1), the HOPE scholarship proposal is from the Administration; provisions include those noted below;
- a modified version of the Administration's non-refundable HOPE scholarship tax credit proposal will be adopted; the 5-year tax relief will be $31.559 billion and the 10-year relief will be $76.041 billion; the credit will be for higher education tuition and fees; it will not be used for room, board, or textbooks; for the first 2 years of college attendance, a taxpayer will get up to a $1,500 credit (the credit rate will be 100 percent on the first $1,000 in tuition and fees, and will be 50 percent on the second $1,000 in tuition and fees); in the second 2 years in college, a taxpayer will be eligible for up to a $1,000 credit (the credit rate will be 20 percent on the first $5,000 in tuition and fees); the credit will be phased out for singles with AGIs between $40,00 and $50,000 and for married couples with AGIs between $80,000 and $100,000;
- education IRAs will be created; the 5-year tax relief will be $3.899 billion and the 10-year relief will be $14.193 billion; up to $500 in nondeductible contributions will be allowed annually to an education IRA (the Senate-passed bill allowed the contribution of up to $2,000 annually, and it allowed the additional contribution of the $500 child tax credit); inside buildup will be tax-free; distributions will be tax-free only if used for higher education expenses (the President threatened a last-minute veto if parents were allowed to use the funds for elementary or secondary education expenses, including tuition or tutoring expenses; see vote No. 150 for related debate); if any balance remains when an account holder reaches age 30 it will be distributed and taxed, with penalties, unless the balance is transferred to an education IRA for another family member (the Senate-passed bill allowed any remaining balance to be converted to a Roth IRA account; see below);
- an above-the-line tax deduction for student loan interest will be allowed during the first 60 months in which interest payments are required; the maximum deduction will be $1,000 in 1998, increasing to $2,500 in 2001 and thereafter; the deduction will phase out between $40,000 and $55,000 for single filers and between $60,000 and $75,000 for joint filers; the 5-year tax relief will be $690 million and the 10-year relief will be $2.429 billion; and
- penalty-free withdrawals will be allowed from non-education IRAs for post-secondary and graduate school expenses; the 5-year tax relief will be $812 million and the 10-year relief will be $1.732 billion.

Capital Gains:

- for assets held for 18 months or more (or for 12 months or more if sold before July 29, 1997), the capital gains tax rate will be reduced from 28 percent to 20 percent for individuals in tax brackets above 15 percent, and will be reduced to 10 percent for individuals in the 15-percent bracket (the current rate structure of 28 percent/15 percent will be retained for assets sold after July 29, 1997 that were held between 12 months and 18 months); an even lower rate structure of 18 percent/8 percent will apply to assets held 5 years or more; the 8-percent rate will begin for assets sold in 2001, and the 18-percent rate will begin for assets purchased in 2001; on January 1, 2001, a taxpayer may elect to treat an asset as having been sold and reacquired at its fair market value, if so doing will result in a taxable gain; depreciable real property will have a capital gains tax rate of 25 percent (instead of 28 percent); the rate will remain 28 percent on collectibles; in general, the rate reductions will apply to taxable years ending after May 6, 1997; gains will not be indexed for inflation; for related debate, see vote Nos. 132-133 and 159;
- effective on the date of enactment, gains on the sale of a principal residence of up to $250,000 for a single filer and up to $500,000 for a joint filer will be excludable as often as once every 2 years; and
- gains from the sale or exchange of qualified small business stock held more than 6 months will not be taxed if reinvested within 6 months in other qualified small business stock, and the minimum tax preference on the gain from the current 50-percent exclusion for such stock will be reduced from 50 percent to 42 percent.

Individual Retirement Accounts (IRAs; see the "Education tax incentives" heading above for education IRAs):

- the income limits on contributing to deductible IRAs that apply to individuals who participate in employer-sponsored retirement plans will be raised gradually (individuals under those limits may contribute up to $2,000 annually); by 2005 and thereafter the phase-out range on allowed contributions for single taxpayers will be $50,000 to $60,000 (the current range is $30,000 to $40,000); by 2007 and thereafter the phase-out range for joint taxpayers will be $80,000 to $100,000; the rule that deems a taxpayer to be an active participant in a spouse's employer-provided retirement plan, and thus ineligible for a deductible IRA if above the income limit, will be repealed, except that a phase-out range from $150,000 to $160,000 will apply to such a taxpayer;

- the Federal unemployment temporary surtax (FUTA) will be extended through December 31, 2007, increasing receipts by $6.356 billion over 5 years and by $6.726 billion over 10 years.

Those favoring passage contended:

The provisions of this conference report will do at least as much to send the United States roaring into the next century as will the spending cuts of the conference report we just passed. Though many of our more liberal colleagues have a hard time accepting the fact, the American people prefer to spend their own money than to have the Federal Government spend it for them. Even harder for our liberal colleagues to accept is that the American people spend their money more wisely than does the Federal Government. On those few rare occasions in the past that Congress has actually cut taxes, the result has been that the economy has grown so much that overall tax receipts have gone up. This conference report will provide the largest tax cut since 1981 and the first tax cut since 1986. It will eliminate more than one-third of the Clinton tax hike of 1993, which was the largest tax hike in history.The money will come from balancing the budget. The bill we just passed, by conservative estimates, will cause economic growth that will increase tax collections by more than $355 billion over 10 years. Many of our liberal colleagues would love to spend that extra money. We would rather give it back to the people in tax relief. This bill will give a net of $282 billion in relief over the next 10 years, and will use the rest for deficit reduction.

Most of that tax relief will go to middle-class American families. In the first 5 years more than three-quarters of the relief will go to families with less than $75,000 in income. The best provision in this bill is the $500 per child tax credit. One of the major pressures on the rapidly disappearing middle-class family is the oppressive tax burden from the Federal Government. The most successful institution in the world is the family, and every civilization is built on that basic social unit. When families disintegrate, civilizations crumble. We need to do more to support the family. This tax credit is a huge step in the right direction.

We are also delighted by the education initiatives in this bill. By custom, at the start of each Congress the majority party in the Senate has the right to file the first 10 bills as a way of indicating its top priorities. This Congress, the Senate Republican's first bill, S. 1, was the Safe and Affordable Schools Act. Many of the provisions of S. 1 have been included word-for-word in this tax relief bill. The President's main proposal, the HOPE scholarship proposal, has also been included.

This bill will provide immediate investment in the production side of the economy as well with its capital gains, IRA, and death tax provisions. We know from experience that cutting the capital gains tax is extremely beneficial to the economy. Every time it has been cut tax receipts have skyrocketed and the economy has grown. The reason is that the tax only applies if an asset is sold--people will hold onto marginally productive or even unproductive assets if they know that selling them will result in their being taxed heavily. The IRA provisions will similarly boost the economy. Americans have an abysmally low savings rate. For new ventures to start, they need capital. They cannot get capital if there are not any savings to borrow. Making favorable IRA changes will greatly increase the amount of capital available for investment, which will spur economic growth. Finally, the cuts in the estate tax will help the production side of the economy. Small businessmen and farmers, to whom the cuts are targeted, are often driven out of business by death taxes. The confiscatory nature of this tax often makes it impossible to pass a business or farm from one generation to the next, or even to keep it operating as a going concern. Small businesses are the backbone of our economy, providing most of the new jobs, and American farms are the breadbasket of the world; we therefore strongly favor the death tax relief provisions of this conference report.

Republicans took control of Congress in 1995 on the promise that they would balance the budget and provide tax relief. Those were not empty promises; it took 3 years of effort, but they are being met today. We enthusiastically urge the adoption of this conference report.

Argument 2:

We are not totally pleased with the provisions of this bill, but, like the bill we just considered, numerous bipartisan compromises were reached. We are especially pleased that on this bill our Republican colleagues agreed to a version of the President's HOPE scholarship proposal, and that they agreed to increase the refundability of the child tax credit for those people who do not pay any income taxes. We therefore support passage.

Those opposing passage contended:

Our Republican colleagues, and, unfortunately, most of our Democratic colleagues, cannot wait to cut taxes because they say they have balanced the budget. However, they have not balanced the budget. All they have done is pass a plan, and that plan only balances because it counts Social Security surpluses which, by law, are not supposed to be counted in budget calculations. When, and if, the budget is balanced, we will consider tax relief, but not before